



Sharing Macedonia's Experience developing PSD Indicators

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WORLD BANK PROJECT FOR MONITORING AND EVALUATION

Republic of Macedonia
Ministry of economy



- Monitoring and Evaluation of the Private Sector Development as a priority
- Improve Government's efficiency and accountability
- Document and report on the progress on our way to EU
- Development of set of intermediate outcome indicators

PSD Indicators

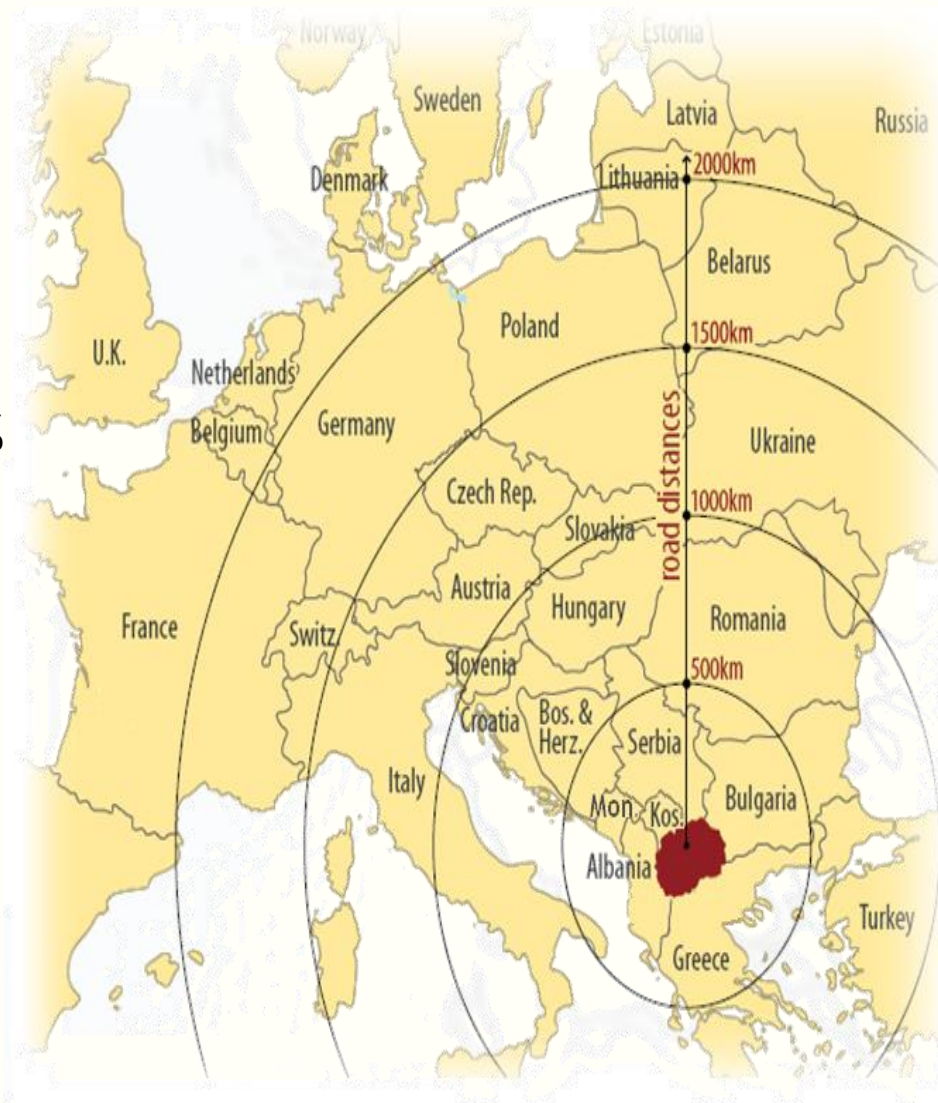


20 Mar 14	Goal/objective	Indicator name	Indicator definition	Data Source	Unit of measurement	Classification	Baseline value	Frequency	2014	2015
1.	Increased Foreign Direct Investments (FDIs)	Increased total (EUR) foreign investments by companies receiving incentives under the Law on TIDZs	Total foreign investments by companies benefitting from incentives under the Law on TIDZs in the monitored period - Total foreign investments by companies benefitting incentives under the Law on TIDZs in the previous period / Previous period value	TIDZ Directorate	% Increase in EUR Value	Level	2013: 56 mil. EUR	Annual	10	10
2.	Increased number of new TIDZ working places	Number of employees in the companies receiving incentives under the Law on TIDZs	Total number of employees in the companies benefitting from incentives under the Law on TIDZs in the monitored period	TIDZ Directorate	Total number of employees in FDI in TIRZ	Incremental	2013 2332	Annual	2014 3300	2015 4100
3.	Increased volume of exports from TIDZ	Volume of export from companies receiving incentives under the Law on TIDZs	Total volume of export from the companies benefitting from incentives under the Law on TIDZs in the monitored period	TIDZ Directorate	% increase in EUR value	Level	2013 762 mil. EUR	Annual	2014 50%	2015 30%
4.	Increased investments in R&D and increased value added goods and services	Number of firms receiving government supported assistance to invest in improved technologies or commercialize innovations	Number of firms that receive government supported assistance to invest in improved technologies or commercialize innovations (new products, new processes)	Fund for Innovation and Technological Development MoES	Number of firms	Incremental	2013: 0	Annual	15	25
5.	Increased cooperation within clusters and networks	Value of contracts between domestic SMEs and companies receiving incentives under the Law on TIDZs	Value of contracts between domestic SMEs and companies receiving incentives under the Law on TIDZs	TIDZ Directorate	% increase in Value of contracts	Level	2013 44 mil. EUR	Annual	10	20

Basic Facts



- GDP - \$10,200 million
- GDP per capita - \$5,220
- PPP GDP per capita - \$10,776
- **Main trading partners:**
Germany, Greece, Serbia, Bulgaria
Russia, Italy, Great Britain, Turkey
(3,6% in 2013, value 386 mil. USD; 1,7%
in export and 4,8% in import)
- **Main export industries:** automotive,
metallurgy and metal processing, oil
industry, mining, food
- FTA: EU, EFTA, CEFTA, Turkey and
Ukraine
- EU and NATO candidate country



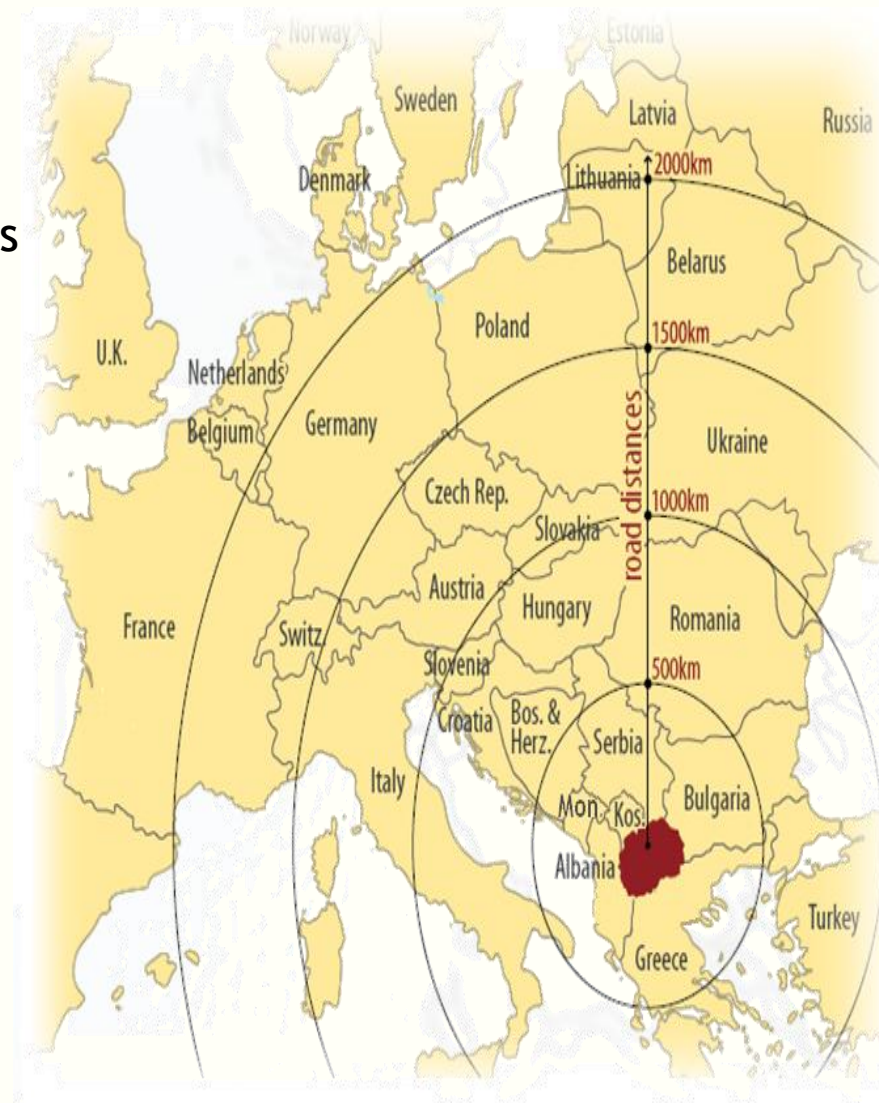


Country Challenges

- Small size and landlocked
- Volatile global economy
- Needs for investments and new technologies
- Low visibility and region perception

Pillars of the Strategy

- FTAs and infrastructure (TDIZ)
- Macroeconomic stability
- Investment in the energy sector
- Intensive and continuous reforms:
 - ✓ Create excellent climate for investors
 - ✓ Develop world class human capital
 - ✓ Ease the use of the natural resources
 - ✓ Attract FDI and promote Macedonia



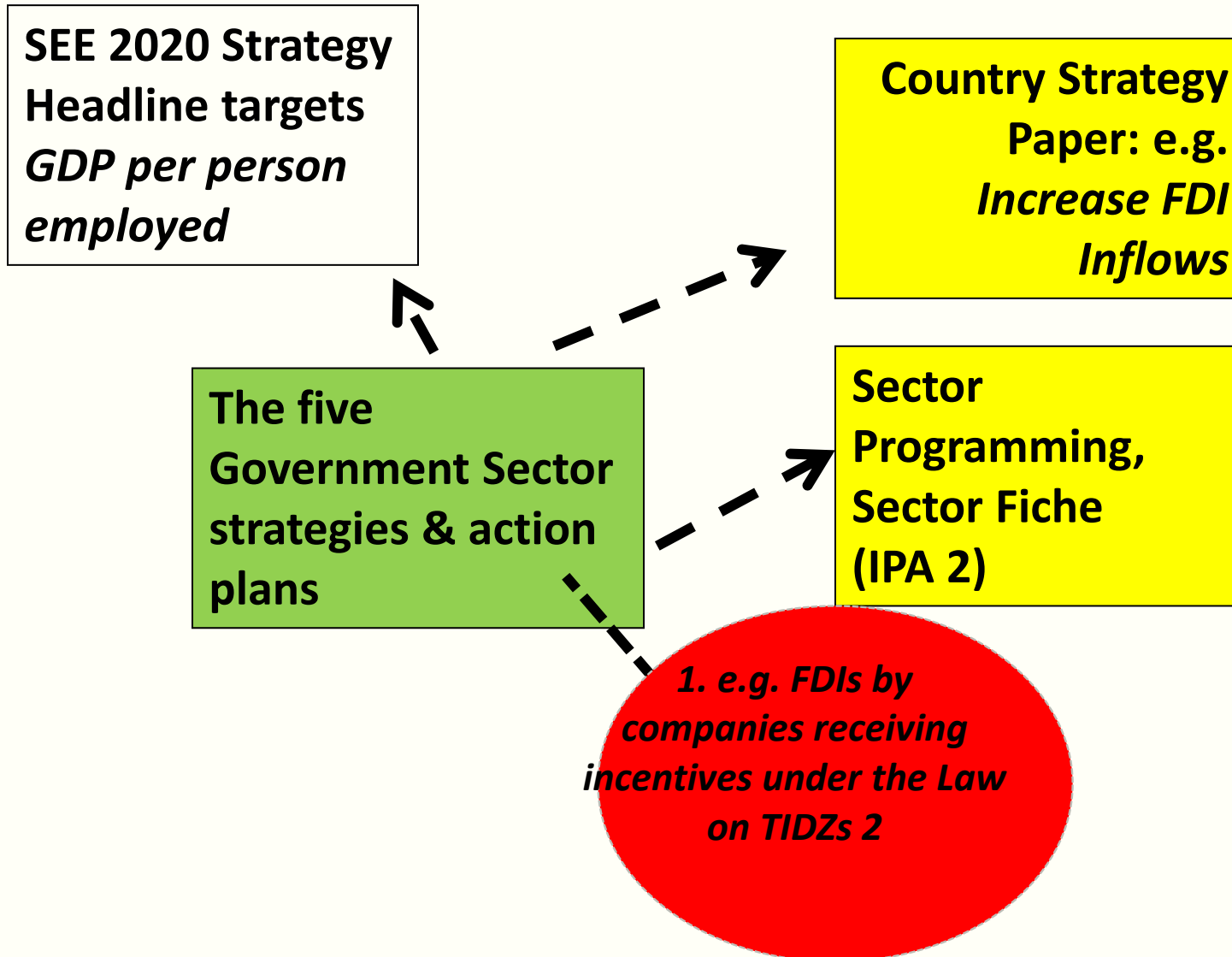


The set of developed indicators feed into 5 strategies indicators, and on to sector programming, and CSP

- Analysis of 5 key PSD related government strategies (&AP) and their objectives, and current output and outcome indicators, and no-targets, as well as other related strategic and cooperation frameworks/programming
- Designing an illustrative set of 7 indicators for selected key existing PSD results chains; more later independently
- Usage of intermediate outcome indicators for performance measurement suitable for timely management and/or policy intervention...and thus address of current assessed shortage in reviewed 5 strategies
- Applied SMART indicators standard: Specific; Measurable; Achievable; Realistic; Timescale
- Taken care for proposed indicators to alongside each result chain link selected existing objectives from 5 strategies to their intended outcomes & impacts, and thus on to priorities found in the Government 4Y EP 2011-2015, and CSP indicators
- Assessed some standard and elsewhere used performance indicators
- Assessed needed data availability
- Considered variables that feed into the indicators
- Considered previous observations for proposed indicators



PSD indicators relation to CPS...





continuously improve the business climate and conditions for conducting business in the country through the conduction of the determined reforms, as well as continued support for increasing the competitiveness of the Macedonian economy



- focused on maintaining stable macroeconomic environment,
- improving and creating business climate favourable to business creation, (RIA, Guillotine, ENER)
- removing the administrative barriers and creating equal conditions for all economic entities,
- enhancing private sector development,
- promotion of competitiveness enhancement,
- increase of investments (domestic and foreign), job creation and exploiting the potential of high educated workforce.

These priorities are realized through different governmental programs and projects implemented by different ministries and institutions that have contribution in enhancement of the competitiveness of the economy following the EU policies and communications



Monitoring the international rankings

- In creation of policies one of the benchmarks is ranking of the Republic of Macedonia in international publications:
 - World Bank - Doing Business
 - World Economic Forum Global Competitiveness Index
 - Global Innovation Index
 - EU European Innovation Scoreboard
 - EU Small Business Act
 - OECD Investment Reform Index
 - OECD SME Performance Index
 - Transparency International
 - Wall Street Journal etc.

Improvements in the Business Climate



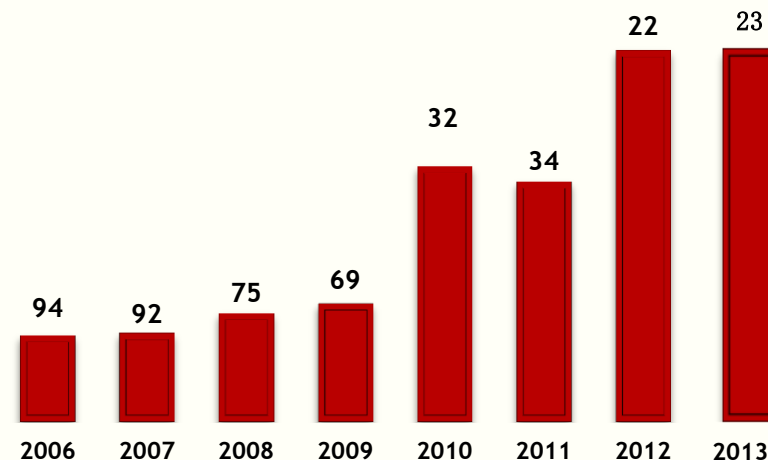
**3rd BEST REFORMER
IN THE WORLD**

World Bank's Doing Business
2010 and 2012 Report

**23rd BEST COUNTRY
FOR BUSINESS IN THE WORLD**

World Bank's Doing Business
2013 Report

Rank of Macedonia on the
Ease of Doing Business Indicator,
World Bank Doing Business
Reports
2006-2013

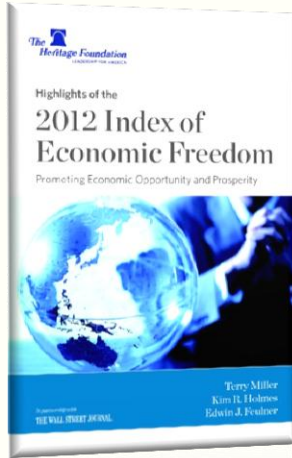


Doing Business Rank 2013

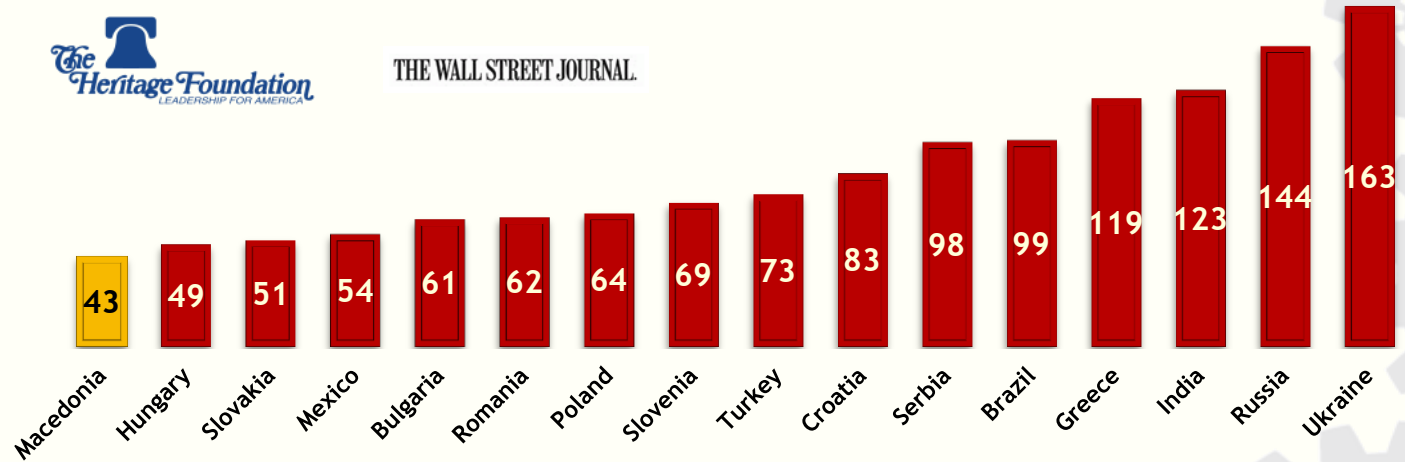
Starting a Business	Dealing with Construction Permits	Getting Electricity	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Resolving Insolvency
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Macedonia	23	5	65	101	50	23	19	24	76	59	60
Austria	29	134	75	24	34	23	100	77	26	7	12
Italy	73	84	103	107	39	104	49	131	55	160	31
Serbia	86	42	179	76	41	40	82	149	94	103	103

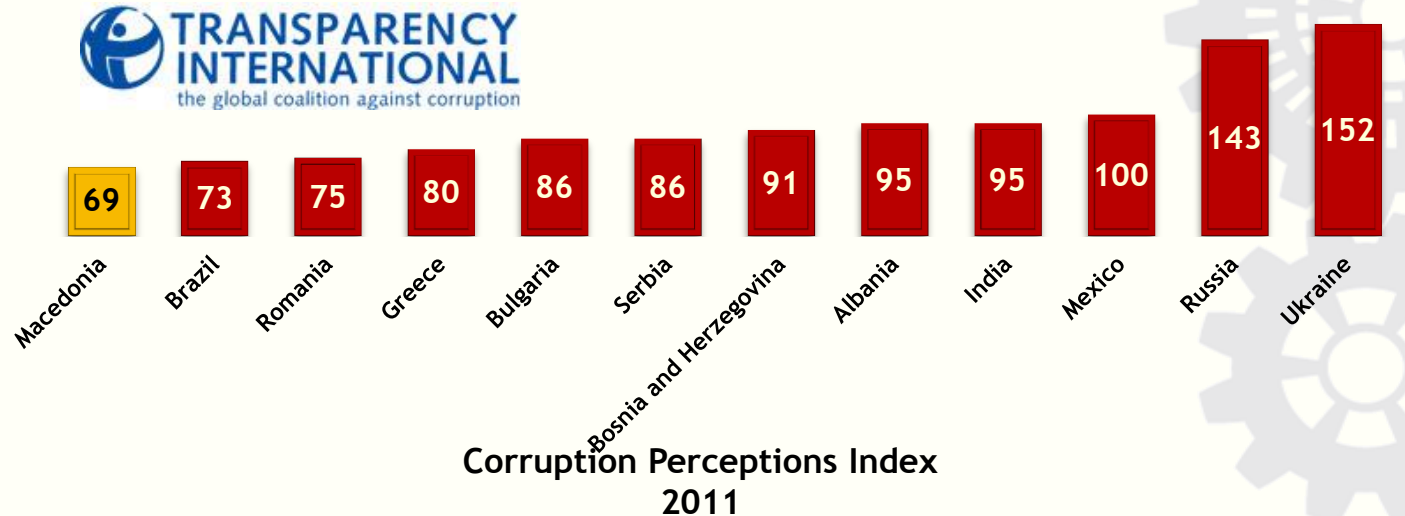
Improvements in the Business Climate



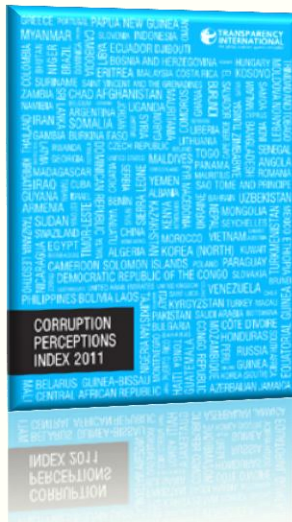
THE WALL STREET JOURNAL



2012 Index of Economic Freedom
World Rankings



Corruption Perceptions Index
2011





Adopted strategic documents related to Enterprise Policy

- Industrial Policy

- Export promotion strategy,
- Innovation strategy,
- SME strategy,
- Program for stimulating, investments,
- Program for R&D,
- Cluster program,
- Action plan for improvement of competitiveness and ranking in the GCI by WEF,
- Action plan for implementation of Innovation Policy 2013-2015 and better ranking in Global Innovation Index.

- Implementation of measures realized through few Programs under competences of the Ministry of Economy, APPRM, ASIPI, Ministry of Education and Science and other institutions
- **Measures** are focusing on support in development of new products, new markets, introducing standards, vouchers, trainings, consultancy support, entrepreneurship, export promotion, cluster development, innovation support, ...
- **Developed WEB portal KONKURENTNOST.MK**
- **Developed Web portal for Exporters - promotion, match making, and education**



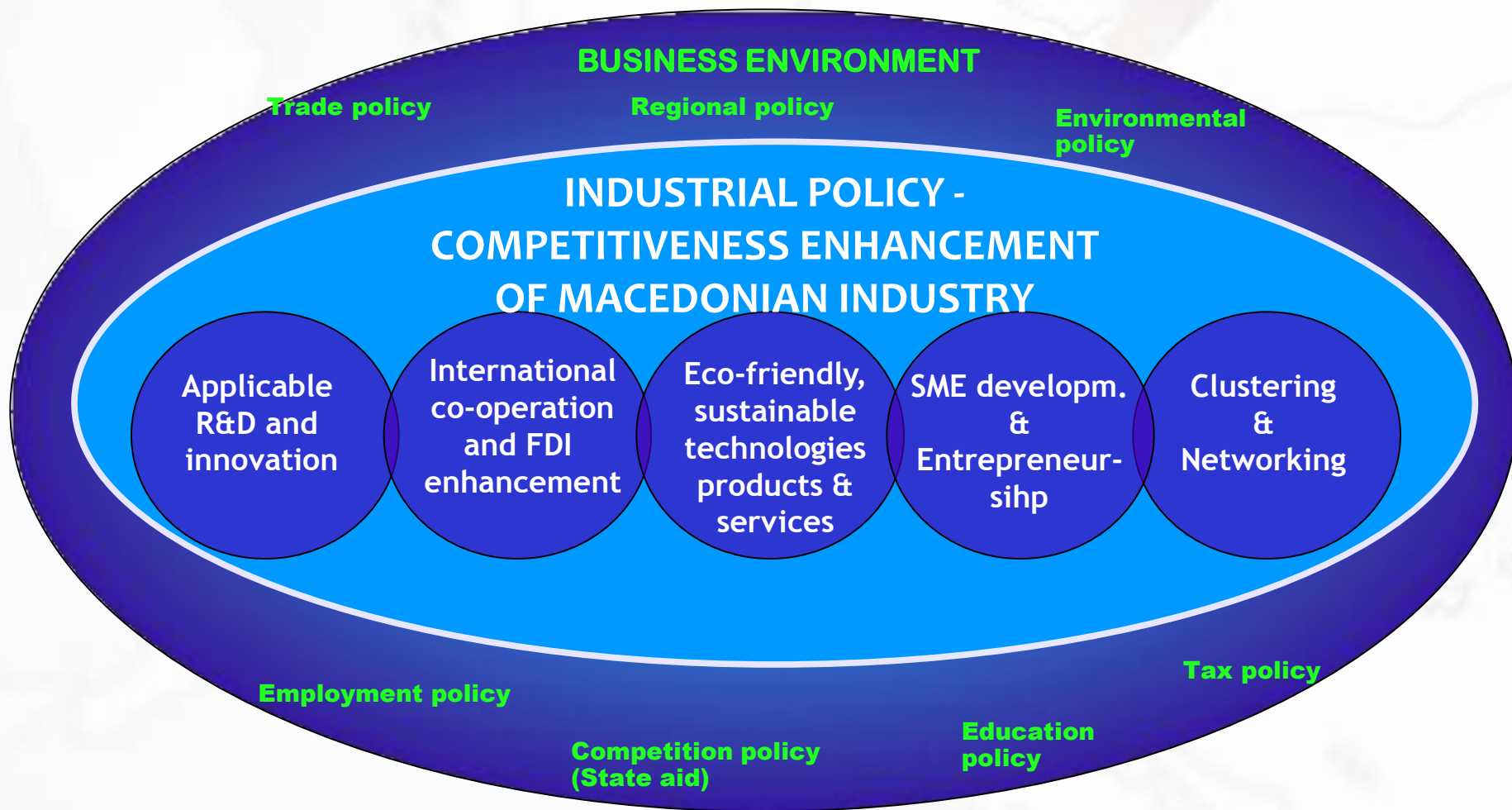
- *Micro, small and medium sized enterprises are dominant type of companies participating with (99,6% from active companies)*
- MSMEs absorb 80,5% from total employees.
- Gross value added value in MSMEs register permanent increase in the period 2007-2012
- Key strategic documents for SME support:
 - SME Strategy and annual programmes
 - Handcraft Strategy
 - SBA
 - SEE2020
 - Industrial policy as well Innovation Strategy

“The Industrial Policy of the Republic of Macedonia 2009-2020”



- **Adopted** by the Government in July 2009.
- **Industrial Policy 2009-2020** has a horizontal approach in enhancing competitiveness through 5 areas of intervention (Internationalization, SME development, Cluster development, R&D, Innovation and Eco products and Services)
- **Adopted Action plan for implementation of the Industrial policy 2012-2013** following 5 areas of intervention and introduced indicators for monitoring and evaluation
- Program based approach in coordination of donor support

Areas of intervention of IP





Main objectives of the Strategy for Innovation:

- Strengthening the input propensity of the business sector for innovation
- Strengthening human resources for innovation
- Creating a regulatory environment that will support innovation
- Increasing the flow of knowledge between actors in innovation

• Undertaken activities:

- Assessment of the National Innovation System
- Development of Innovation Strategy and an Action Plan 2013-2015
- Inter-institutional advisory group responsible for continuous coordination and monitoring of the implementation of the Action Plan

• Key points:

- Enacted Law on innovation
- Established Fund for Innovation and Technological Development



• Fund for innovation and technological development

- **Benefits:**
 - Enable access to finance
 - Support growth of SME's
 - Increase investments in innovation
 - Enable transfer of technology and know - how
- **Available mechanisms:**
 - Grants for start-ups
 - Grants and conditional loans for innovations
 - Equity and mezzanine investments
 - Support for spin-off companies
 - Grants for technology transfer
 - Technical assistance
- Initial budget for the fund: **9.4 million EUR**



National Entrepreneurship and Competitiveness Council of the Republic of Macedonia

- **Aim of the Council:**
 - Strengthening the dialogue between the Government of RM and the business community.
- Works on identifying priority areas for action to improve the competitiveness of the Macedonian economy.
- Participates in the creation and implementation of concrete measures
- **Established 5 Committees:**
 1. Committee for SMEs and craftsmen
 2. Committee for domestic and foreign investments
 3. HR Committee
 4. Sector Committee with 5 working groups (tourism, automotive industry, agriculture and processing of agricultural produce, textiles and logistics services)
 5. Committee for technological development



“Learning from the Business Community”

- **Goal of the project:**
 - to identify the ideas and initiatives of the business community aiming to improve the business environment, as well as to identify the main problems faced by companies in their operations.
- **The implementation of this project began in 2010 - 150 companies were visited** in 24 cities in the country.
- **At the end of 2011- 165 companies were visited** and a total of 220 requests and initiatives were submitted, under which institutions still act.
- **During February - March 2013**, 4 expert government teams from different institutions **visited 100 companies** throughout the territory of the Republic of Macedonia.
- **A set of new measures** related to the acceptable requests and initiatives of the visited companies in the third cycle will be adopted by the Government in **May 2013**



One stop shop for domestic and foreign investors

- **Main objective:**
 - Simplifying the process of starting and running a business in Macedonia, as well as enabling the potential investors to receive all relevant information about the procedures and the needed documents at one place.
- **Technical assistance provided by EU Commission**
- **Activities are divided in two components:**
 - **Screening and mapping of the licenses and permits**
 - mapping all public institution responsible for issuing licenses/ permits;
 - collecting data and listing the licenses and permits relevant for running a business;
 - conducting a survey for the current ICT and IT capacity of the institutions;
 - conducting cost analysis for issuing licenses/permits
 - producing licenses and permits data base.
 - **Technical, organizational and legal frame**
 - review of international good practices and experience
 - review of the legislative and diminish the bureaucratic procedures
 - feasibility study including detailed operational plan

Technological Industrial Development Zones - TIDZs

-Free zones





Technological Industrial Development Zones - TIDZs

• Fiscal Benefits

TAX	TAX RATES	
	TIDZs	Outside TIDZs
Corporate tax	0% for the first 10 years	10%
Personal income tax	0% for the first 10 years	10%
Value added tax	0%	18%
Property tax	0.1% - 0.2%	0.1% - 0.2%
Excise taxes	0%	5% - 62%

PRODUCT	CUSTOMS DUTY	
	TIDZs	Outside TIDZs
Raw materials	0%	Up to 15%
Equipment	0%	5% - 20%

- **Management of existing (established) Free Zone**
- **Development of planned Free Zone**
- **Subsidy of up to €500,000 towards building costs**
- **Incentives in line with EU regulation**
- **Green Customs Channel available at border for rapid export from Zone to EU countries**
- **Land in a TIDZ in Macedonia is available under long-term lease for a period of up to 99 years**

Key investors in the TIDZ



TIDZ "Skopje 1"



- €55mn investment
- over 500 employees
- catalyst production

JOHNSON MATTHEY



- \$40mn automotive components plant;
- 150 employees initially – increasing to 500;
- Integrated circuits

JOHNSON CONTROLS



KEMET
SIGNING OF THE AGREEMENT



TEKNOHOSE
ANNOUNCING BEGINNING OF CONSTRUCTION
WORK IN TIDZ "SKOPJE 1"



PRODIS GROUP
ANNOUNCING BEGINNING OF CONSTRUCTION
WORK IN TIDZ "SKOPJE 1"



VAN HOOL ANNOUNCING BEGINNING OF
CONSTRUCTION WORK IN TIDZ "SKOPJE 2"

Investment: 6.20w
Employees: 400 people
Land: 157.000 m²
Factory: 36.000 m²
Start of production: 1Q 2015
Annual production: 4000 buses

Key implementation ministries and agencies of the enterprise policy



- Government of RM, DPMEA office, Ministry of Economy, Ministry of Education
- Agency for SME Support - APPRM
- Agency for Investment and export promotion ASIPI
- Innovation Fund - innovation support
- DTIRZ - Directorate for technology and industrial development zones

Other business support institutions: Incubators, Centers, Projects,....

WORLD BANK PROJECT FOR MONITORING AND EVALUATION



- Monitoring and Evaluation of the Private Sector Development as a priority
- Development of set of indicators
- Establishing system for efficient databases and regular data inflow
- Improved analytical skills and capacity building
- Feed back effect on policy creation and measures design

Need for continuous institutional strengthening, capacity building, peer learning.



THANK YOU FOR YOUR ATTENTION

- Cabinet of the Deputy Prime Minister for Economic Affairs
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